

Revenue Review Meeting

March 19, 2009

AGENDA

REVENUE REVIEW MEETING

March 19, 2009

10:00 a.m.



- De-facto approval of March 6, 2009 meeting minutes
- Forecast summary
- Background
- Forecast detail
- Adoption of the official forecast



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

Capitol Plaza Building, PO Box 40912 • Olympia, Washington 98504-0912 • (360) 570-6100

Meeting Minutes

Economic Review

March 6, 2009

John A. Cherberg, Conference Rooms A, B, & C

Members Present

Economic and Revenue Forecast Council:

Craig Pridemore, Senate, Chair

Ross Hunter, House of Representatives

Cindi Holmstrom, Director, Department of
Revenue

Victor Moore, Office of Financial Management

Staff:

Arun Raha, Executive Director, ERFC

Call to Order

The meeting was called to order by Chair Senator Pridemore at 3:29 p.m.

De-facto approval of the meeting minutes from the November 19, 2008 Revenue Review meeting.

Presentation on Economic Forecast

Arun Raha presented information on the preliminary economic forecast. Arun summarized the U.S. and Washington economic outlook, provided background information, and briefly reviewed current collections. There was discussion regarding the sentiment amongst the members present at the Governor's Council of Economic Advisors (GCEA) meeting that the preliminary Washington economic forecast is somewhat optimistic with regards to the timing of the recovery from the recession.

Motion

Director Moore moved to adopt the economic assumptions, but recommended that the staff of the Forecast Council look at Global Insight's March numbers and do the revenue forecast with more consideration to the Global Insight forecast. The motion was seconded by Senator Pridemore.

Motion passed unanimously.

Adjournment

Senator Pridemore adjourned the meeting at 4:07 p.m.

**Economic & Revenue Forecast Council
State of Washington**

Revenue Review: March 19, 2009

Executive Summary

- Our projection of state revenues are based on an updated version of the preliminary state economic forecast presented previously. The update took into account the March Blue Chip Consensus national economic forecast that incorporates an additional month of data. We also fine-tuned some of our assumptions regarding the additional dollars that will be spent in the state as a result of the federal fiscal stimulus.
- Since our last official revenue forecast in November, the state economy has weakened considerably. The weakness in housing activity and auto sales has spread to other sectors of the state economy – non-residential construction, manufacturing, aerospace, software publishing and retail sales.
- Our preliminary forecast is substantially weaker than the one adopted in November. Compared to that preliminary forecast, our current updated forecast is modestly weaker, as a result both of a weaker national economic forecast and downward momentum in the state economy. We no longer believe that the state economy will lead the national economy in the recovery. Instead, we believe that the state economy will recover at about the same time as the national economy.
- There are three critical elements to a national economic recovery – stabilization of home prices, stability in the job market, and a return of private capital to secondary loan markets. The problem is complex, and further exacerbated by a global recession and the spread of financial contagion beyond our shores.
- The U.S. policy response, necessarily, has been three pronged. The federal fiscal stimulus will slow job losses. The housing rescue plan will reduce the supply of foreclosed homes on the market. However, the most critical and still uncertain part remains the third leg of the plan – the restoration of banking to health, so that credit markets can function again without massive capital infusions from the government.
- In the face of an economy in free fall, it is easy to miss the early signs of a recovery. After a very weak holiday season, retail sales appear to be stabilizing, housing starts look like they have bottomed out, bond spreads have tightened, used car prices have firmed up, some of the larger banks have indicated that they have been profitable in the first two months of the year, and investors appear to be returning to equity markets.
- We have taken note of these positive signs, but it is too early to tell if they will be sustained. Therefore the outlook remains uncertain, and downside risks predominate. Consumer confidence is still at record lows, jobs losses continue, and access to credit remains limited. It is unclear when consumers will resume purchases of big ticket items. In the four months since our

November forecast, weakness in spending has caused revenue collections to fall USD 240 million short of target.

- Our new baseline forecast assumes that the U.S. and WA economy will be in recession for most of this year, flattening out sometime late in the third quarter. Growth will remain flat in the first half of 2010, and improve only in the second half of the year. Job losses will continue even after the economy is in recovery.
- Given this outlook, our baseline forecast makes the following changes to our **November** revenue forecast:
 - 2007-09 biennium: down USD 0.7 billion to USD 27.9 billion
 - 2009-11 biennium: down USD 2.1 billion to USD 27.9 billion

Compared to the unofficial “early guidance” we had provided in **February**, our forecast has been updated as follows:

- 2007-09 biennium: down USD 15 million
- 2009-11 biennium: down USD 538 million

The growth in nominal revenue from the 2007-09 biennium to the 2009-11 biennium is now expected to be a relatively flat 0.2%.

Downside Risks: 30% probability

- This financial crisis is unprecedented. There is no historical guide to modeling how long it will take to get resolved. The collateral damage to real economic activity already has been greater than anticipated. If the Treasury's plan to restore banks to financial health is unsuccessful, the U.S. downturn will be much longer and deeper.
- As we had feared, the decline in the rate of housing prices reversed, and home prices are again falling at an accelerating pace. It remains to be seen how soon the federal stimulus and the housing rescue package can arrest the decline in home values. If the rate of decline in home prices does not slow by the third quarter, it will delay the financial sector rescue as well as increase its cost. That would delay the return of normal credit flows and consumer spending.
- There is a growing chorus of protectionism, not just in the U.S., but overseas as well. It is critical that policy coordination with trading partners prevent trade barriers from being put up. Not only will this slow the global recovery, but hurt Washington disproportionately, since we are more dependant on trade than other states.
- Regulatory over-reach: There is a need for developing an appropriate regulatory framework to prevent some of the excesses that led to the financial crisis. However, if there is regulatory over-reach, it will have the

effect of locking the stable door after the horse has fled. Excessive regulations will only prevent credit from flowing freely again.

Upside Risks: 10% probability

- The Treasury's plan to partner with private investors with leverage from the Federal Reserve to buy toxic assets off bank balance sheets, works quicker and better than expected. The initial market response was overwhelmingly negative, but as details have been sketched out, the jury is still out on whether this will work.
- Consumer and business confidence returns earlier than expected. It is hard to predict when market psychology changes following a crash, and what triggers that change. Our baseline expects a gradual return of confidence at the same pace as the economy. If confidence returns quicker, the recovery will come quicker.
- Good policy: We have seen some coordination in the global policy response to the crisis. If we get a sustained and coordinated global policy response, to increase global demand, and rid banks globally of toxic assets on their balance sheets, the recovery will be steeper than expected.
- Energy prices drop below USD 30 per barrel.

Changes to the General Fund-State Cash Forecast-by Agency

Comparison of the March 2009 to the November 2008 Forecast

2007-09 Biennium

Millions of Dollars

	November 2008 <u>Forecast</u> ¹	March 2009 <u>Forecast</u> <u>Change</u>	March 2009 <u>Non-economic</u> <u>Changes</u> ²	March 2009 <u>Forecast</u>	Total <u>Change</u> *
Department of Revenue	\$27,765.1	(\$650.0)	(\$74.1)	\$27,041.0	(\$724.1)
All other Agencies	\$861.5	(\$20.1)	\$8.6	\$850.0	(\$11.5)
Total General Fund-State	\$28,626.6	(\$670.1)	(\$65.5)	\$27,891.0	(\$735.6)

*Detail may not add to totals due to rounding.

1: Adopted by the ERFC in November 2008.

2: Expected refunds, large audit payments, and adjustment of prior estimates of SST mitigation payments and voluntary taxes on internet sales

Changes to the General Fund-State Cash Forecast-by Agency

Comparison of the March 2009 to the November 2008 Forecast

2009-11 Biennium

Millions of Dollars

	November 2008 <u>Forecast</u> ¹	March 2009 <u>Forecast</u> <u>Change</u>	March 2009 <u>Non-economic</u> <u>Changes</u> ²	March 2009 <u>Forecast</u>	Total <u>Change</u> *
Department of Revenue	\$29,350.3	(\$1,969.9)	(\$78.5)	\$27,301.9	(\$2,048.4)
All other Agencies	\$720.1	(\$94.0)	\$17.3	\$643.4	(\$76.7)
Total General Fund-State	\$30,070.4	(\$2,063.9)	(\$61.2)	\$27,945.3	(\$2,125.1)

*Detail may not add to totals due to rounding.

1: Forecast for the 2009-11 biennium adopted November 2008

2: Adjustment of prior estimates of SST mitigation payments and voluntary taxes on internet sales

Changes to the General Fund-State Cash Forecast-by Agency

Comparison of the March 2009 to the November 2008 Forecast

2007-09 Biennium

Millions of Dollars

	November 2008 <u>Forecast</u> ¹	March 2009 <u>Forecast</u> <u>Change</u>	March 2009 <u>Non-economic</u> <u>Changes</u> ²	March 2009 <u>Forecast</u>	Total <u>Change</u> *
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1: Adopted by the ERFC in November 2008.

2: Expected refunds, large audit payments, and adjustment of prior estimates of SST mitigation payments and voluntary taxes on internet sales

Changes to the General Fund-State Cash Forecast-by Agency

Comparison of the March 2009 to the February 2009 Guidance Forecast

2009-11 Biennium

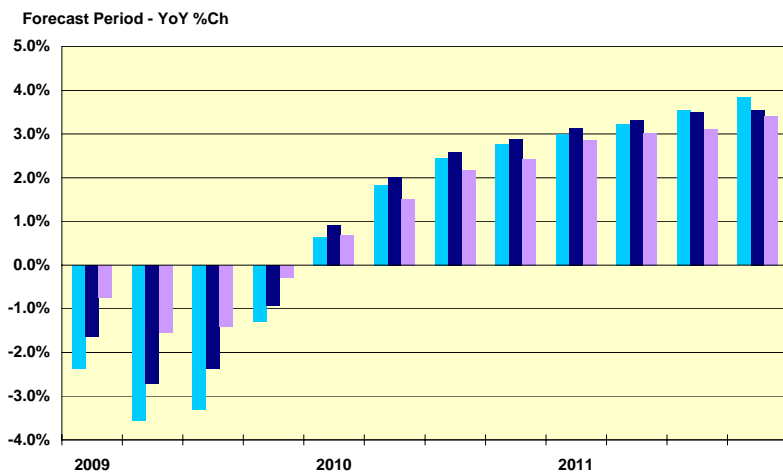
Millions of Dollars

	<u>February 2009 Guidance Forecast</u>	<u>March 2009 Forecast Change</u>	<u>March 2009 Non-economic Changes</u>	<u>March 2009 Forecast</u>	<u>Total Change*</u>
Department of Revenue	\$27,777.8	(\$475.9)	\$0.0	\$27,301.9	(\$475.9)
All other Agencies	\$705.3	(\$61.9)	\$0.0	\$643.4	(\$61.9)
Total General Fund-State	\$28,483.1	(\$537.8)	\$0.0	\$27,945.3	(\$537.8)

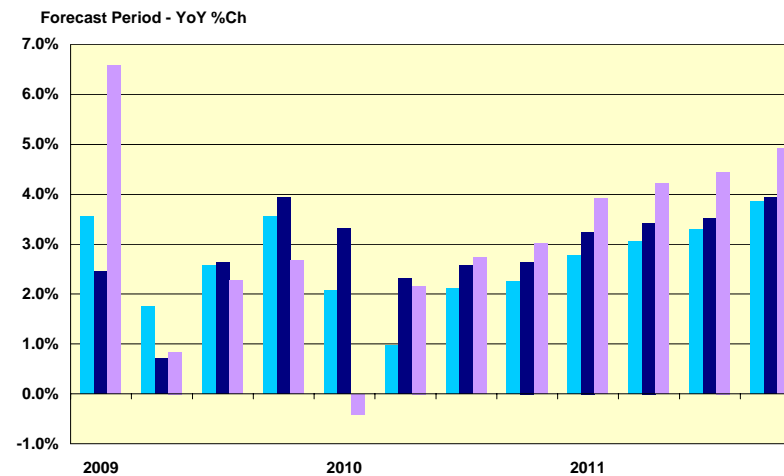
*Detail may not add to totals due to rounding.

National outlook has turned progressively weaker

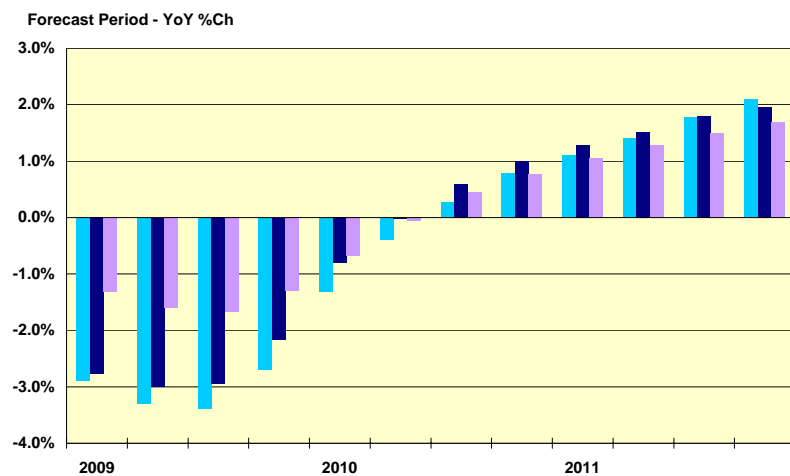
U.S. Real GDP



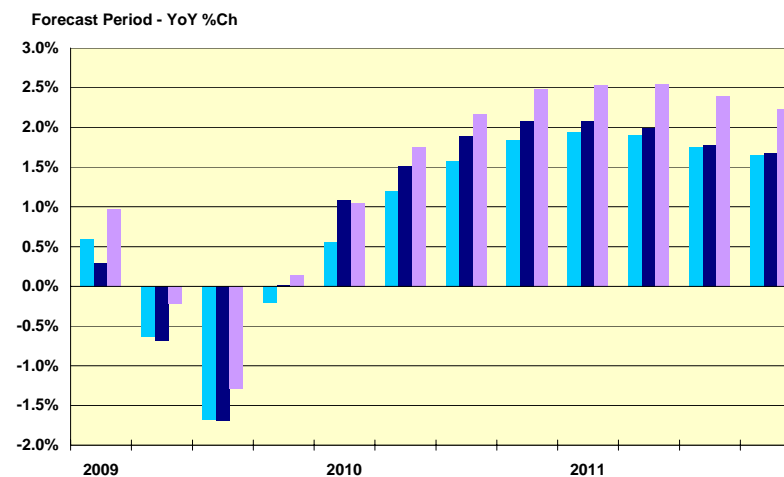
U.S. Disposable Personal Income



U.S. Payroll Employment



U.S. Implicit Price Deflator for Consumption

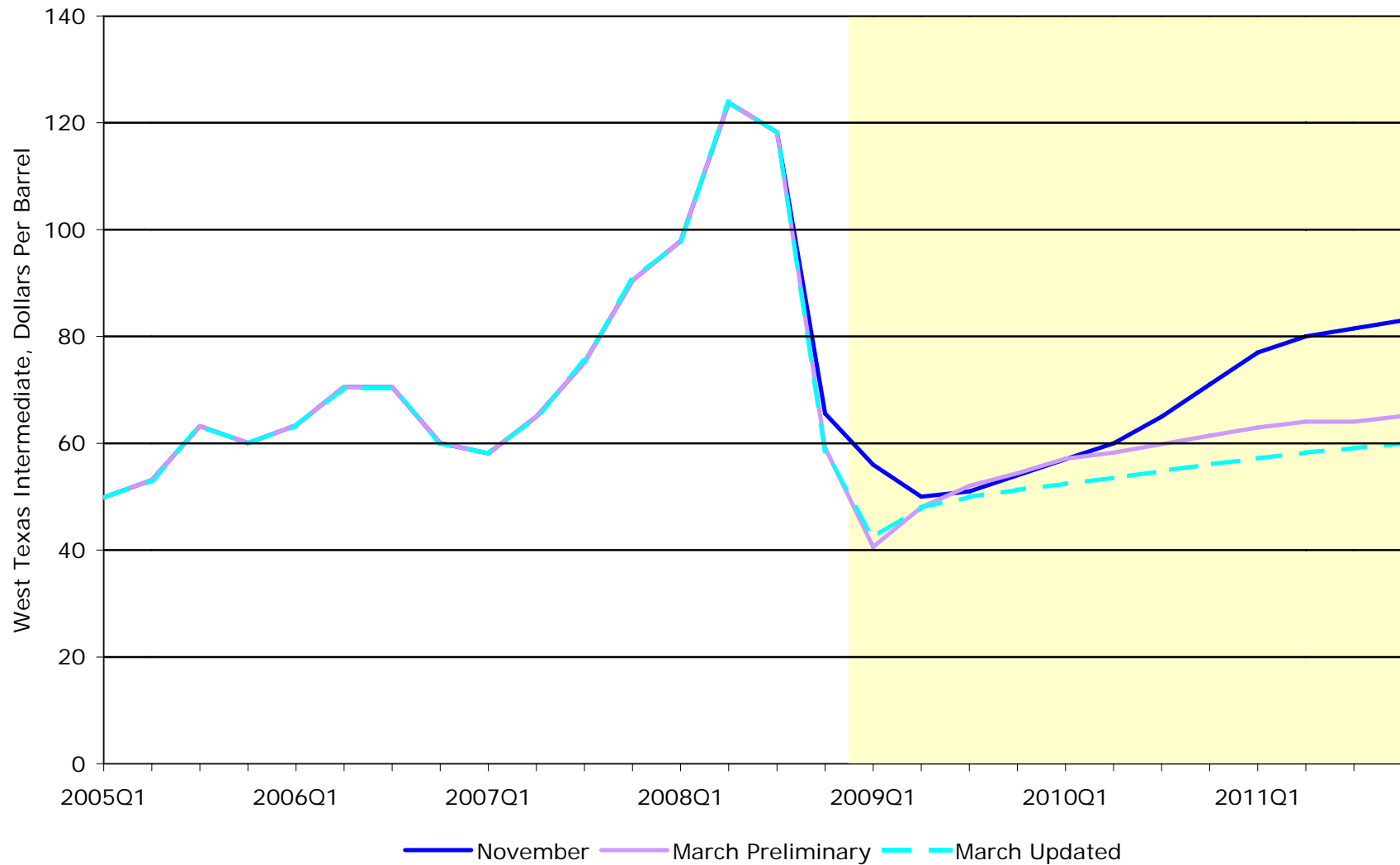


* Source: Bureau of Economic Analysis

■ March (updated)
 ■ March (prelim)
 ■ November

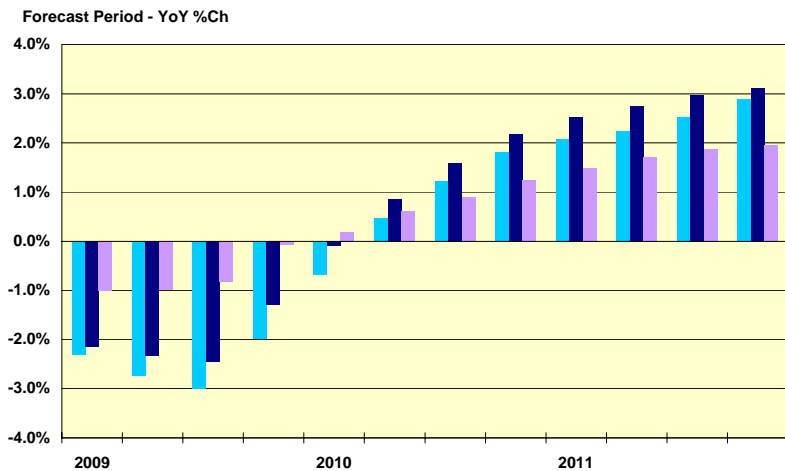
* Source: Bureau of Economic Analysis

Oil prices are expected to be lower then we previously thought

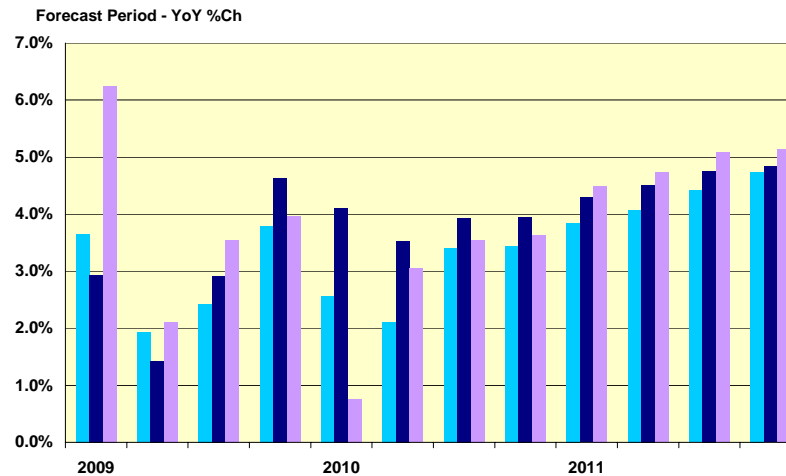


State economic outlook has worsened along with the nation

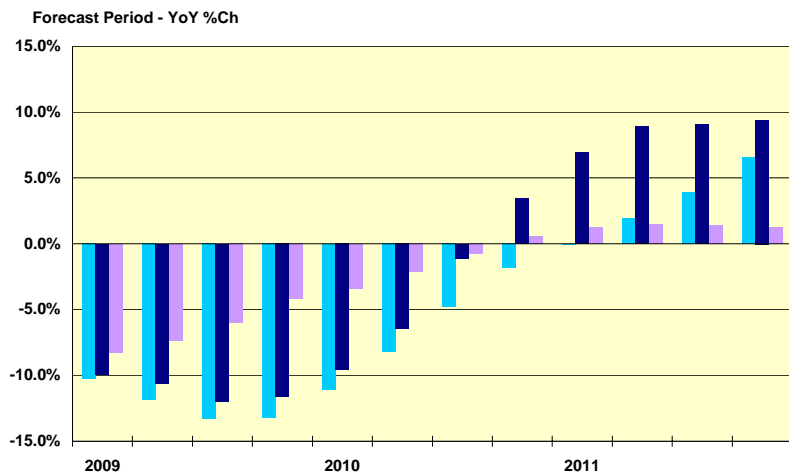
Washington Payroll Employment



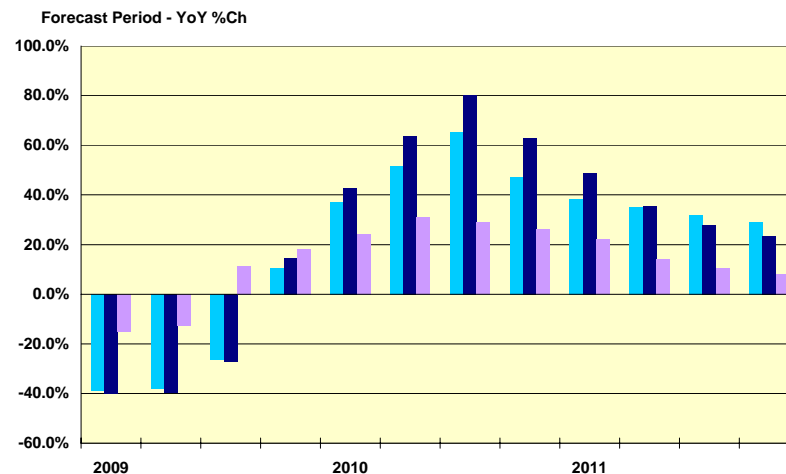
Washington Disposable Personal Income



Washington Construction Employment



Washington Housing Units Authorized by Building Permit



* Source: Bureau of Economic Analysis

March (updated) March (prelim) November

* Source: Bureau of Economic Analysis

Year-Over-Year Employment Growth by Industry (February 2008 to February 2009)

Washington vs. U.S.

	Washington		U.S
	(000)	% Chg.	% Chg.
Total	-87.2	-3.0%	-3.1%
Software Publishers	3.1	6.3%	-
Government Education	2.8	1.1%	-0.1%
Education and Health Services	3.4	1.0%	2.5%
Government Non-Education	0.8	0.3%	0.2%
Other Services	0.1	0.1%	-1.6%
Leisure and Hospitality	-1.6	-0.6%	-2.4%
Aerospace Product and Parts Manufacturing	-0.6	-0.7%	-
Financial Activities	-4.3	-2.8%	-3.7%
Transportation, Warehousing and Utilities	-3.6	-3.8%	-4.7%
Wholesale Trade	-6.2	-4.8%	-4.0%
Retail Trade	-16.5	-5.1%	-3.7%
Professional and Business Services	-19.3	-5.6%	-5.4%
Information Excluding Software	-4.1	-7.4%	-
Natural Resources and Mining	-0.7	-9.1%	3.8%
Manufacturing Excluding Aerospace	-19.5	-9.4%	-
Construction	-22.7	-11.5%	-11.9%
Information	-1.0	-1.0%	-4.1%
Manufacturing	-20.1	-6.8%	-9.0%

Washington Geographic Breakdown

Seattle MSA	-44.5	-3.0%
Tacoma MSA	-8.7	-3.1%
Spokane MSA	-5.9	-2.7%
Rest of WA	-28.0	-2.9%

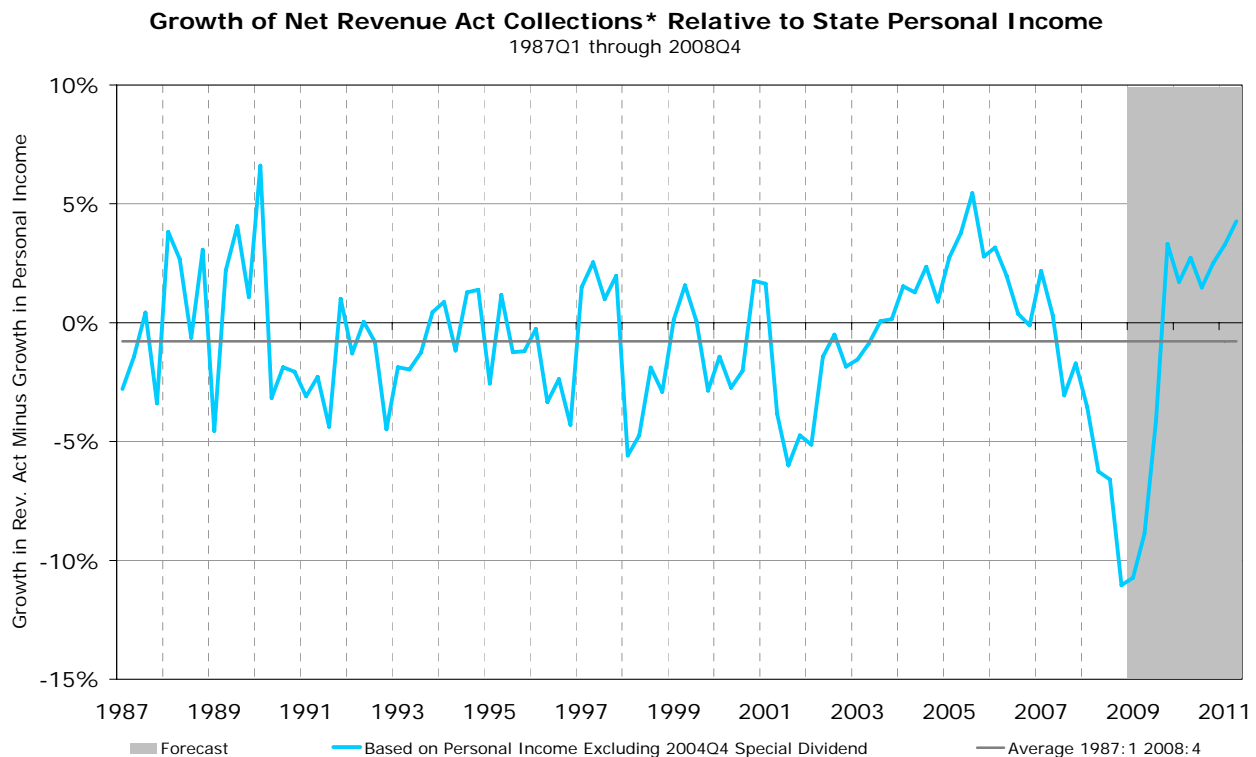
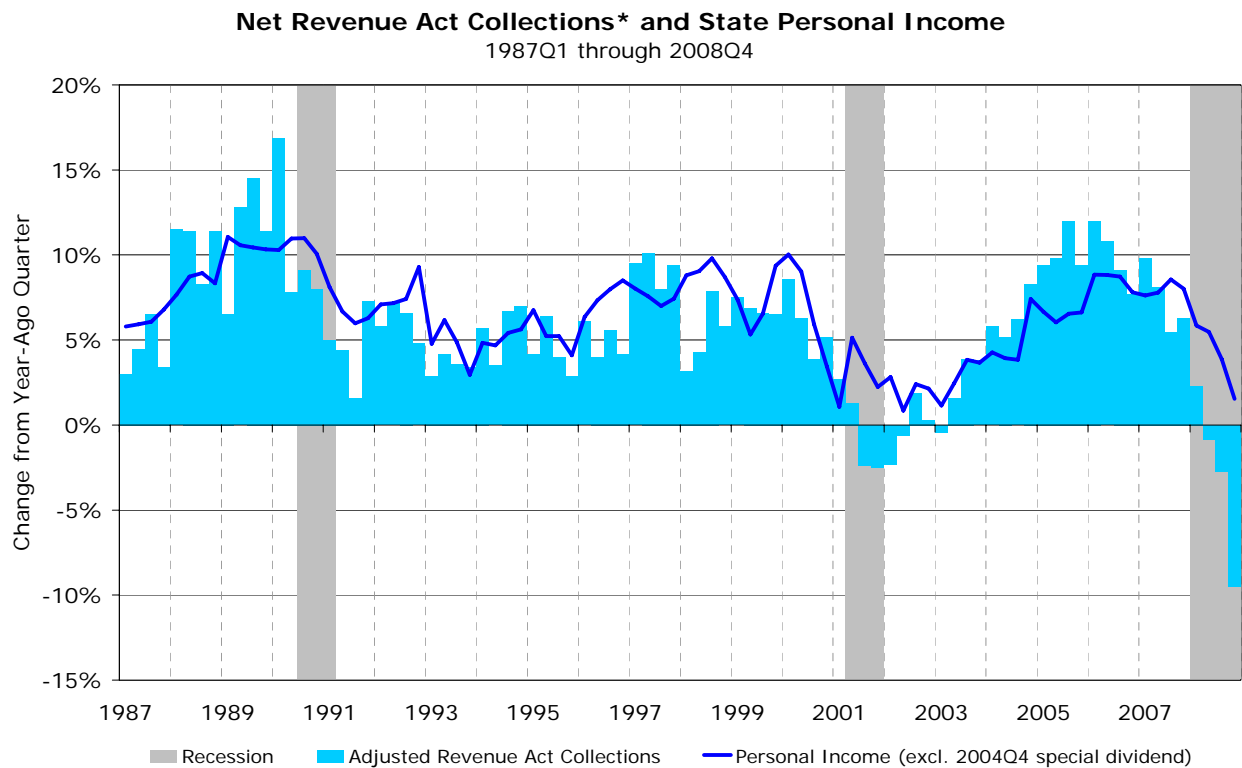
Source: WA State Employment Security Department, U.S. Bureau of Labor Statistics

Electronic Filers*
Year-over-year growth in payments,
Same tax payers
Percent

NAICS/Sector		Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09
441	Motor vehicles & parts	(11.0)	(10.8)	(17.8)	(20.0)	(18.4)	(20.7)	(28.7)	(26.2)	(26.8)	(9.6)
442	furniture and home furnishings	(6.3)	(8.0)	(10.9)	(7.7)	(13.8)	(11.8)	(17.9)	(18.2)	(30.0)	(7.1)
443	Electronics & appliances	1.1	0.0	4.5	3.4	(5.6)	(2.4)	(9.8)	(0.0)	(10.2)	9.4
444	Build. Mat./garden equip.	(11.2)	(7.7)	(9.8)	(6.9)	(12.5)	(12.0)	(9.8)	(17.6)	(17.9)	(22.3)
445	Food & beverage stores	15.1	(5.7)	1.6	16.0	(6.9)	0.4	(5.4)	(0.1)	9.5	(7.4)
446	Drug & health stores	4.6	5.2	6.4	6.5	5.1	3.7	3.6	(1.9)	(3.1)	4.9
447	Gas stations & convenience stores	12.3	12.3	14.3	25.3	17.8	4.7	0.1	(17.6)	(19.9)	(16.7)
448	Apparel & accessories	(1.9)	6.5	(7.5)	(1.0)	(1.9)	(9.4)	(13.2)	(15.1)	(18.6)	(6.6)
451	Sporting goods,toys,books,music	3.6	4.8	(0.4)	3.2	1.1	(6.1)	(11.7)	(12.8)	(12.7)	(2.9)
452	General merchandise stores	(0.2)	4.8	1.5	1.1	0.6	(5.0)	(3.7)	(7.2)	(5.0)	3.7
453	Miscellaneous retailers	0.9	2.1	(3.1)	(3.7)	(2.7)	(0.9)	(0.4)	(10.4)	(10.9)	(5.7)
454	Nonstore retailers	12.0	6.5	6.4	5.6	(0.8)	5.8	(8.1)	(15.6)	(5.7)	(11.4)
44-45	Sub total: Retail Trade	(3.0)	(2.4)	(6.0)	(4.3)	(7.3)	(8.6)	(12.0)	(13.4)	(12.7)	(5.8)
11	Agriculture,forestry,fishing	(11.8)	(28.0)	(0.9)	(2.9)	(9.1)	(9.1)	(5.4)	(7.3)	4.1	(3.9)
21	Mining	(3.6)	(15.6)	(17.8)	(17.1)	(5.1)	(4.1)	(14.7)	(49.5)	34.1	(1.8)
22	Utilities	16.7	6.3	5.4	0.2	(2.0)	1.9	(2.5)	(3.9)	(4.5)	13.8
23	Construction	9.9	(3.1)	(5.3)	2.9	(8.8)	(5.0)	(8.2)	(11.7)	(10.5)	(19.4)
31-33	Manufacturing	11.1	(10.6)	(15.8)	9.7	(12.9)	(11.7)	(3.2)	(41.0)	(20.6)	(37.5)
42	Wholesale trade	5.6	6.5	(1.9)	11.2	2.0	3.5	(1.0)	(9.0)	(11.8)	(13.3)
48-49	Transportation & Warehousing	30.5	32.6	19.2	34.4	5.8	12.0	11.4	(14.0)	(10.9)	(24.7)
51	Information (adjusted for one-time payments)	15.0	7.1	9.3	10.8	0.8	(0.3)	5.6	(1.2)	(4.2)	0.9
52	Finance, insurance	(0.7)	(7.6)	(14.7)	(7.9)	6.5	(9.8)	(11.7)	(12.8)	(1.0)	(2.1)
53	Real Estate, rental & leasing	(4.6)	(7.0)	(7.5)	(4.1)	(5.9)	(2.7)	(9.5)	(16.7)	(12.0)	(9.4)
54	Professional, scientific & Tech. services	(9.2)	3.8	7.2	15.4	(4.1)	2.0	2.1	(8.6)	3.8	(7.9)
55-62	Management,education & health services	2.8	0.4	1.3	3.7	0.5	11.3	6.2	(6.8)	1.2	4.4
71	Arts, entertainment & recreation	6.0	5.3	2.6	4.2	2.4	4.2	0.1	12.3	(22.6)	(4.5)
72	Accommodation & food services	4.0	5.0	1.2	2.9	3.2	0.2	(1.3)	(5.3)	(12.1)	(5.2)
81	Other services	0.4	1.2	(4.0)	0.8	(6.7)	2.3	(3.6)	(12.0)	(10.8)	(4.3)
92,99,00	Public Administration & all other	14.3	(19.8)	(5.2)	10.7	(9.1)	(13.0)	(5.2)	(31.1)	(28.7)	(1.4)
Total: All Industries		2.7	(0.7)	(4.1)	1.5	(4.9)	(4.1)	(6.2)	(12.8)	(10.7)	(9.0)
Addendum:											
Retail trade & Food services		(2.2)	(1.4)	(5.3)	(3.6)	(6.0)	(7.6)	(10.6)	(12.2)	(12.6)	(5.2)
Non retail trade & food services		6.7	(0.1)	(3.2)	5.8	(9.6)	(1.3)	(3.0)	(13.3)	(8.8)	(11.8)
Accommodations		3.2	1.0	2.4	2.6	2.6	(0.8)	(5.1)	(15.4)	(13.9)	(19.0)
Retail trade & food service-except auto		0.8	1.7	(1.3)	1.5	(2.2)	(4.0)	(5.5)	(8.7)	(9.7)	(4.1)
Real estate/construction related		2.2	(4.8)	(6.8)	(0.6)	(9.4)	(6.4)	(9.2)	(13.6)	(13.4)	(17.8)
Total less real estate/construction related		2.9	0.5	(3.3)	2.2	(3.4)	(3.3)	(5.2)	(12.5)	(10.1)	(6.5)
Non retail trade		6.5	0.4	(2.9)	5.5	(3.3)	(1.2)	(2.7)	(12.4)	(9.0)	(10.9)

*Electronic payments of EFT taxpayers and ELF taxpayers (includes some non-electronic payments of EFT taxpayers) received by two days after due date.

The Gap Between Income and Expenditures is Growing



*Adjusted for new legislation and special factors

Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

March 2009 Baseline Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity**
	Tax Base Adjusted*	Personal Income ¹	
I. Retail Sales			
1990	13.7	10.5	1.3
1991	5.7	8.9	0.6
1992	6.6	6.6	1.0
1993	4.2	6.9	0.6
1994	6.3	4.3	1.4
1995	4.7	5.8	0.8
1996	3.6	5.8	0.6
1997	7.1	8.0	0.9
1998	7.3	8.1	0.9
1999	7.1	7.8	0.9
2000	7.4	8.8	0.8
2001	3.1	3.9	0.8
2002	(0.6)	2.4	(0.3)
2003	2.3	2.0	1.1
2004	5.2	3.9	1.3
2005	7.9	6.0	1.3
2006	9.8	7.7	1.3
2007	8.2	8.0	1.0
2008	2.9	6.9	0.4
2009	(6.7)	2.0	(3.4)
2010	0.9	1.7	0.5
2011	6.5	4.6	1.4
Average 1990-2008:	5.9	6.4	0.9
II. Business & Occupation			
1990	14.3	10.5	1.4
1991	6.3	8.9	0.7
1992	6.3	6.6	1.0
1993	3.5	6.9	0.5
1994	2.0	4.3	0.5
1995	6.8	5.8	1.2
1996	4.5	5.8	0.8
1997	9.0	8.0	1.1
1998	7.2	8.1	0.9
1999	7.2	7.8	0.9
2000	5.5	8.8	0.6
2001	3.0	3.9	0.8
2002	(3.4)	2.4	(1.4)
2003	(2.4)	2.0	(1.2)
2004	6.6	3.9	1.7
2005	10.0	6.0	1.7
2006	11.4	7.7	1.5
2007	8.6	8.0	1.1
2008	8.2	6.9	1.2
2009	(7.2)	2.0	(3.6)
2010	(0.7)	1.7	(0.4)
2011	8.2	4.6	1.8
Average 1990-2008:	6.0	6.4	0.8

* Based on constant base taxable data.

** Percent changes in taxable activity divided by percent change in personal income.

¹ Income adjusted to exclude special dividend payment in fy 05.

Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

March 2009 Baseline Forecast

Source/Fiscal Year	Percentage Change		Personal Income
	Tax Base Adjusted*	Personal Income ¹	Elasticity**
III. Use			
1990	14.6	10.5	1.4
1991	9.8	8.9	1.1
1992	(0.9)	6.6	(0.1)
1993	6.8	6.9	1.0
1994	7.0	4.3	1.6
1995	5.8	5.8	1.0
1996	8.2	5.8	1.4
1997	5.5	8.0	0.7
1998	6.8	8.1	0.8
1999	0.8	7.8	0.1
2000	10.3	8.8	1.2
2001	8.2	3.9	2.1
2002	(8.2)	2.4	(3.5)
2003	(7.8)	2.0	(3.8)
2004	7.7	3.9	2.0
2005	13.5	6.0	2.3
2006	8.0	7.7	1.0
2007	4.4	8.0	0.6
2008	(1.6)	6.9	(0.2)
2009	(9.9)	2.0	(4.9)
2010	3.7	1.7	2.1
2011	15.0	4.6	3.3
Average 1990-2008:	5.2	6.4	0.6

Total Revenue Act Receipts

March 2009 Baseline Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity***	
	Tax Receipts	Personal Income ¹		
Revenue Act	1990	13.8	10.5	1.3
	1991	5.5	8.9	0.6
	1992	5.7	6.6	0.9
	1993	6.1	6.9	0.9
	1994	7.2	4.3	1.7
	1995	6.4	5.8	1.1
	1996	1.8	5.8	0.3
	1997	5.3	8.0	0.7
	1998	6.3	8.1	0.8
	1999	4.1	7.8	0.5
	2000	7.4	8.8	0.8
	2001	3.9	3.9	1.0
	2002	(1.7)	2.4	(0.7)
	2003	0.9	2.0	0.5
	2004	4.7	3.9	1.2
	2005	7.6	6.0	1.3
	2006	10.6	7.7	1.4
	2007	8.4	8.0	1.1
	2008	4.3	6.9	0.6
	2009	(8.5)	2.0	(4.2)
	2010	2.1	1.7	1.2
	2011	7.1	4.6	1.6
Average 1990-2008:		5.7	6.4	0.8

* Based on constant base taxable data.

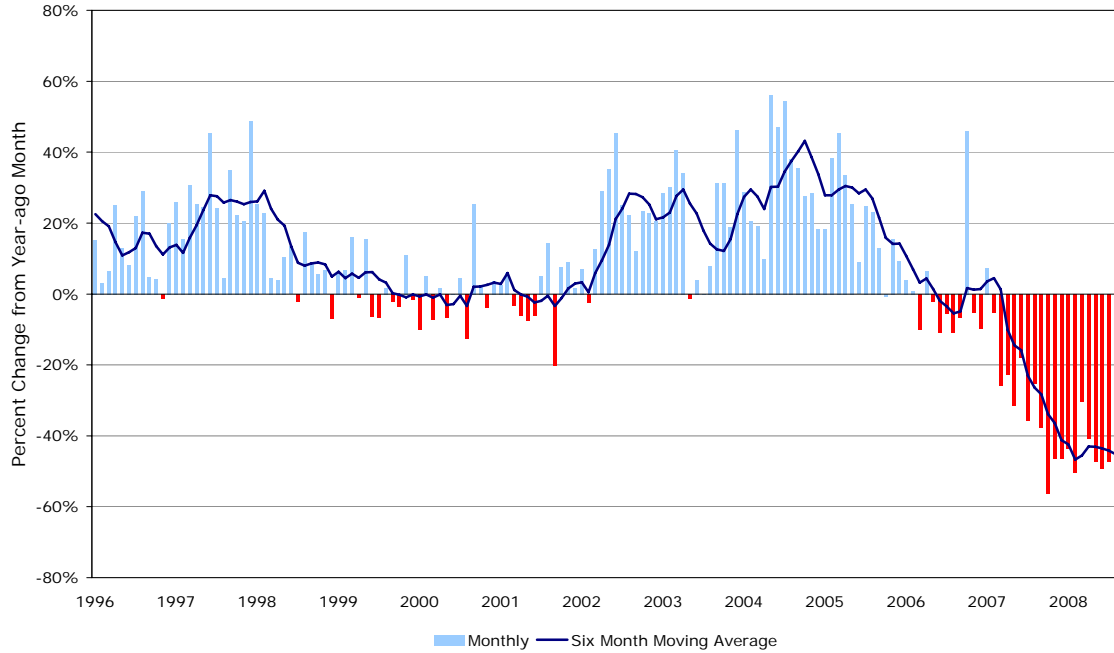
** Percent changes in taxable activity divided by percent change in personal income.

*** Percent changes in tax receipts divided by percent change in personal income.

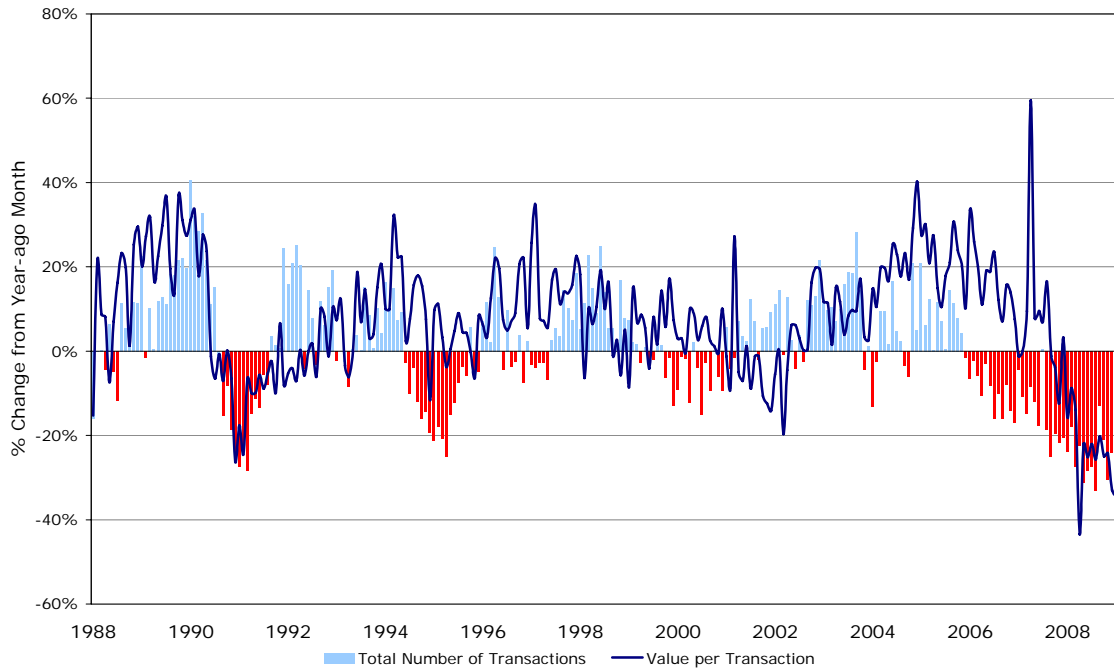
¹ Income adjusted to exclude special dividend payment in fy 05.

Real Estate Activity Has Yet to Find a Bottom

Year-Over-Year Growth of Taxable Real Estate Excise Activity
Monthly July 1996 to February 2009 Preliminary



Real Estate Activity - Number of Transactions and Value Per Transaction*
Monthly 1988 to January 2009



*Taxable activity divided by the total number of transactions. Activity based on real estate excise tax paid at closing (reported by the counties).

General Fund - State Cash Receipts

March 2009 Forecast by Fiscal Year
(Millions of Dollars)

	<u>General Fund - State</u>	<u>Percent Change</u>	
Fiscal Years			
1986	\$4,566.2		
1987	5,008.4	9.7	
1988	5,248.1	4.8	
1989	5,686.0	8.3	
1990	6,505.4	14.4	
1991	6,803.5	4.6	
1992	7,297.6	7.3	
1993	7,564.6	3.7	
1994	8,013.4	5.9	
1995	8,551.3	6.7	
1996	8,581.2	0.3	
1997	9,056.6	5.5	
1998	9,640.9	6.5	
1999	9,979.2	3.5	
2000	10,433.2	4.5	
2001	10,828.9	3.8	
2002	10,450.7	(3.5)	
2003	10,689.9	2.3	
2004	11,321.2	5.9	
2005	12,067.3	6.6	
2006	13,328.8	10.5	
2007	14,443.2	8.4	
2008	14,613.9	1.2	
Forecast			<u>November Forecast</u>
2009	13,277.1	(9.1)	(4.1)
2010	13,524.0	1.9	3.8
2011	14,421.3	6.6	6.8

General Fund-State and Related Fund *

History and Forecast by Fiscal Year (Cash basis)

March 2009 - Millions of Dollars

	General Fund-State Level	% Change	Related Fund* Level	% Change	Combined General Fund-State and Related Fund Level	% Change
FY 1995	8,551		248		8,799	
FY 1996	8,581	0.3%	353	42.6%	8,934	1.5%
FY 1997	9,057	5.5%	392	11.1%	9,449	5.8%
FY 1998	9,641	6.5%	416	6.1%	10,057	6.4%
FY 1999	9,979	3.5%	435	4.5%	10,414	3.6%
FY 2000	10,433	4.5%	634	45.9%	11,068	6.3%
FY 2001	10,829	3.8%	731	15.2%	11,560	4.4%
FY 2002	10,451	-3.5%	1,182	61.6%	11,632	0.6%
FY 2003	10,690	2.3%	1,031	-12.7%	11,721	0.8%
FY 2004	11,321	5.9%	1,037	0.6%	12,358	5.4%
FY 2005	12,067	6.6%	969	-6.6%	13,036	5.5%
FY 2006	13,329	10.5%	989	2.0%	14,318	9.8%
FY 2007	14,443	8.4%	1,024	3.6%	15,467	8.0%
FY 2008	14,614	1.2%	1,045	2.0%	15,659	1.2%
FY 2009	13,277	-9.1%	1,065	1.9%	14,342	-8.4%
FY 2010	13,524	1.9%	1,085	1.9%	14,609	1.9%
FY 2011	14,421	6.6%	1,100	1.4%	15,522	6.2%

*As defined in RCW 43.135.025; Cash forecast; state sources.

Updated March Compared to November

U.S. Forecast Comparison

	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2007	2008	2009	2010	2011
Real GDP (2000 USD billions)											
March Forecast, Updated	11,525	11,369	11,312	11,326	11,377	11,441	11,524	11,653	11,346	11,564	11,959
Percent Change	-6.2%	-5.3%	-2.0%	0.5%	1.8%	2.3%	2.0%	1.1%	-2.6%	1.9%	3.4%
November Forecast	11,622	11,560	11,546	11,556	11,590	11,640	11,524	11,679	11,563	11,760	12,124
Percent Change	-3.3%	-2.1%	-0.5%	0.4%	1.2%	1.7%	2.0%	1.3%	-1.0%	1.7%	3.1%
Implicit Price Deflator (2000=100)											
March Forecast, Updated	121.5	121.0	120.8	121.0	121.2	121.7	117.7	121.6	121.0	122.6	124.8
Percent Change	-5.0%	-1.5%	-0.7%	0.7%	0.8%	1.5%	2.6%	3.3%	-0.5%	1.3%	1.8%
November Forecast	121.8	121.4	121.3	121.6	122.0	122.7	117.7	121.7	121.6	123.8	126.8
Percent Change	-4.2%	-1.3%	-0.6%	1.0%	1.4%	2.4%	2.6%	3.4%	-0.1%	1.9%	2.4%
Real Personal Income (2000 USD billions)											
March Forecast, Updated	9,998	10,031	10,153	10,111	10,133	10,166	9,912	9,958	10,107	10,219	10,454
Percent Change	4.4%	1.3%	5.0%	-1.7%	0.9%	1.3%	3.4%	0.5%	1.5%	1.1%	2.3%
November Forecast	10,055	10,223	10,194	10,208	10,221	10,223	9,912	9,987	10,211	10,262	10,482
Percent Change	5.5%	6.9%	-1.1%	0.6%	0.5%	0.1%	3.4%	0.8%	2.2%	0.5%	2.1%
Nonfarm Payroll Employment (Millions)											
March Forecast, Updated	135.7	134.0	133.0	132.4	132.1	132.2	137.6	137.0	132.8	132.6	134.7
Percent Change	-3.7%	-5.1%	-2.9%	-1.8%	-0.9%	0.4%	1.1%	-0.4%	-3.1%	-0.2%	1.6%
November Forecast	136.9	136.1	135.5	135.2	135.1	135.2	137.6	137.5	135.5	135.6	137.5
Percent Change	-1.7%	-2.1%	-1.8%	-1.0%	-0.2%	0.3%	1.1%	-0.1%	-1.5%	0.1%	1.4%
Unemployment Rate (Percent of Labor Force)											
March Forecast, Updated	6.9%	8.0%	8.7%	9.2%	9.5%	9.6%	4.6%	5.8%	8.8%	9.5%	8.9%
November Forecast	6.5%	7.1%	7.7%	8.0%	8.1%	8.2%	4.6%	5.7%	7.7%	8.2%	7.8%
30 Year Fixed Mortgage Rate (Percent, average)											
March Forecast, Updated	5.9%	5.1%	4.9%	4.9%	5.0%	5.0%	6.3%	6.0%	5.0%	5.0%	5.8%
November Forecast	6.0%	5.7%	5.6%	5.6%	5.5%	5.5%	6.3%	6.1%	5.6%	5.6%	6.8%
3 Month T-Bill Rate (Percent, average)											
March Forecast, Updated	0.3%	0.3%	0.3%	0.3%	0.4%	0.5%	4.4%	1.4%	0.3%	0.7%	2.4%
November Forecast	0.6%	0.6%	0.8%	1.0%	1.0%	1.2%	4.4%	1.5%	0.9%	1.8%	4.0%

Updated March Compared to November

Washington Forecast Comparison

	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2007	2008	2009	2010	2011
Real Personal Income (2000 USD billions)											
March Forecast, Updated	227.9	229.8	231.5	231.6	231.5	234.0	225.7	227.5	231.1	236.0	243.9
Percent Change	1.7%	3.4%	2.9%	0.2%	-0.2%	4.4%	5.3%	0.8%	1.6%	2.1%	3.3%
November Forecast	228.1	233.4	232.8	235.1	234.8	236.2	225.7	226.9	234.0	237.2	243.4
Percent Change	4.2%	9.7%	-1.1%	4.1%	-0.6%	2.4%	5.3%	0.5%	3.1%	1.4%	2.6%
Personal Income (USD billions)											
March Forecast, Updated	276.8	278.1	279.6	280.2	280.6	284.8	265.6	276.6	279.6	289.3	304.3
Percent Change	-3.4%	1.8%	2.2%	0.9%	0.6%	6.0%	8.0%	4.2%	1.1%	3.5%	5.2%
November Forecast	277.9	283.5	282.3	285.8	286.4	289.8	265.6	276.2	284.5	293.8	308.8
Percent Change	-0.1%	8.3%	-1.7%	5.1%	0.8%	4.9%	8.0%	4.0%	3.0%	3.3%	5.1%
Nonfarm Payroll Employment (Thousands)											
March Forecast, Updated	2,933	2,905	2,886	2,877	2,875	2,886	2,934	2,960	2,886	2,906	2,977
Percent Change	-4.4%	-3.8%	-2.7%	-1.1%	-0.3%	1.4%	2.6%	0.9%	-2.5%	0.7%	2.4%
November Forecast	2,942	2,941	2,936	2,937	2,940	2,946	2,932	2,960	2,938	2,960	3,012
Percent Change	-2.6%	-0.1%	-0.7%	0.2%	0.3%	0.9%	2.5%	0.9%	-0.7%	0.7%	1.8%
Unemployment Rate (Percent of Labor Force)											
March Forecast, Updated	6.2%	8.3%	9.0%	9.6%	9.9%	10.0%	4.5%	5.3%	9.2%	10.0%	9.5%
November Forecast	6.4%	6.9%	7.4%	7.7%	7.9%	8.1%	4.5%	5.5%	7.5%	8.3%	8.4%
Manufacturing Employment (Thousands)											
March Forecast, Updated	279.6	278.0	271.3	265.8	262.8	263.0	293.3	291.0	269.5	264.4	273.4
Percent Change	-17.0%	-2.3%	-9.3%	-7.8%	-4.4%	0.2%	2.6%	-0.8%	-7.4%	-1.9%	3.4%
November Forecast	283.1	288.6	284.3	282.1	279.4	277.2	293.2	291.7	283.6	276.5	281.8
Percent Change	-12.9%	7.9%	-5.7%	-3.1%	-3.8%	-3.1%	2.6%	-0.5%	-2.8%	-2.5%	1.9%
Construction Employment (Thousands)											
March Forecast, Updated	194.0	187.4	179.7	172.8	168.4	166.6	208.2	201.5	177.1	165.4	170.5
Percent Change	-10.3%	-13.0%	-15.5%	-14.3%	-9.9%	-4.2%	6.8%	-3.2%	-12.1%	-6.6%	3.1%
November Forecast	191.9	189.8	187.6	185.6	183.9	183.4	207.4	199.6	186.7	184.0	186.5
Percent Change	-10.7%	-4.4%	-4.6%	-4.1%	-3.6%	-1.1%	6.4%	-3.7%	-6.5%	-1.4%	1.3%
Housing Permits (Thousands)											
March Forecast, Updated	21.0	19.3	19.0	19.1	23.2	26.4	47.4	27.3	20.1	30.2	40.3
Percent Change	-57.0%	-28.9%	-5.5%	2.2%	116.3%	68.6%	-5.3%	-42.5%	-26.1%	50.2%	33.3%
November Forecast	26.7	26.8	27.7	29.5	31.5	33.3	47.4	29.1	28.9	36.9	41.8
Percent Change	2.3%	2.6%	13.7%	28.2%	30.6%	25.2%	-5.3%	-38.6%	-0.8%	27.6%	13.3%

Updated March Compared to Preliminary March

U.S. Forecast Comparison

	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2007	2008	2009	2010	2011
Real GDP (2000 USD billions)											
March Forecast, Updated	11,525	11,369	11,312	11,326	11,377	11,441	11,524	11,653	11,346	11,564	11,959
Percent Change	-6.2%	-5.3%	-2.0%	0.5%	1.8%	2.3%	2.0%	1.1%	-2.6%	1.9%	3.4%
March Forecast, Preliminary	11,599	11,455	11,411	11,434	11,491	11,559	11,524	11,671	11,448	11,688	12,083
Percent Change	-3.8%	-4.9%	-1.5%	0.8%	2.0%	2.4%	2.0%	1.3%	-1.9%	2.1%	3.4%
Implicit Price Deflator (2000=100)											
March Forecast, Updated	121.5	121.0	120.8	121.0	121.2	121.7	117.7	121.6	121.0	122.6	124.8
Percent Change	-5.0%	-1.5%	-0.7%	0.7%	0.8%	1.5%	2.6%	3.3%	-0.5%	1.3%	1.8%
March Forecast, Preliminary	121.3	120.6	120.7	121.0	121.3	121.9	117.7	121.5	120.9	122.9	125.2
Percent Change	-5.5%	-2.2%	0.3%	0.8%	1.2%	2.0%	2.6%	3.3%	-0.5%	1.6%	1.9%
Real Personal Income (2000 USD billions)											
March Forecast, Updated	9,998	10,031	10,153	10,111	10,133	10,166	9,912	9,958	10,107	10,219	10,454
Percent Change	4.4%	1.3%	5.0%	-1.7%	0.9%	1.3%	3.4%	0.5%	1.5%	1.1%	2.3%
March Forecast, Preliminary	9,995	10,022	10,174	10,143	10,177	10,203	9,912	9,955	10,129	10,271	10,515
Percent Change	4.6%	1.1%	6.2%	-1.2%	1.3%	1.0%	3.4%	0.4%	1.8%	1.4%	2.4%
Nonfarm Payroll Employment (Millions)											
March Forecast, Updated	135.7	134.0	133.0	132.4	132.1	132.2	137.6	137.0	132.8	132.6	134.7
Percent Change	-3.7%	-5.1%	-2.9%	-1.8%	-0.9%	0.4%	1.1%	-0.4%	-3.1%	-0.2%	1.6%
March Forecast, Preliminary	135.8	134.1	133.4	133.0	132.8	133.1	137.6	137.1	133.3	133.6	135.8
Percent Change	-3.6%	-4.7%	-2.2%	-1.3%	-0.4%	0.7%	1.1%	-0.4%	-2.7%	0.2%	1.6%
Unemployment Rate (Percent of Labor Force)											
March Forecast, Updated	6.9%	8.0%	8.7%	9.2%	9.5%	9.6%	4.6%	5.8%	8.8%	9.5%	8.9%
March Forecast, Preliminary	6.9%	7.8%	8.3%	8.7%	9.0%	9.0%	4.6%	5.8%	8.5%	9.0%	8.3%
30 Year Fixed Mortgage Rate (Percent, average)											
March Forecast, Updated	5.9%	5.1%	4.9%	4.9%	5.0%	5.0%	6.3%	6.0%	5.0%	5.0%	5.8%
March Forecast, Preliminary	5.9%	5.0%	5.0%	5.1%	5.1%	5.2%	6.3%	6.0%	5.1%	5.4%	6.4%
3 Month T-Bill Rate (Percent, average)											
March Forecast, Updated	0.3%	0.3%	0.3%	0.3%	0.4%	0.5%	4.4%	1.4%	0.3%	0.7%	2.4%
March Forecast, Preliminary	0.3%	0.2%	0.2%	0.3%	0.4%	0.5%	4.4%	1.4%	0.3%	0.9%	2.8%

Updated March Compared to Preliminary March

Washington Forecast Comparison

	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2007	2008	2009	2010	2011
Real Personal Income (2000 USD billions)											
March Forecast, Updated	227.9	229.8	231.5	231.6	231.5	234.0	225.7	227.5	231.1	236.0	243.9
Percent Change	1.7%	3.4%	2.9%	0.2%	-0.2%	4.4%	5.3%	0.8%	1.6%	2.1%	3.3%
March Forecast, Preliminary	228.1	230.5	233.2	233.6	233.7	236.4	225.7	227.6	232.8	238.7	246.9
Percent Change	1.9%	4.3%	4.8%	0.7%	0.2%	4.7%	5.3%	0.8%	2.3%	2.6%	3.4%
Personal Income (USD billions)											
March Forecast, Updated	276.8	278.1	279.6	280.2	280.6	284.8	265.6	276.6	279.6	289.3	304.3
Percent Change	-3.4%	1.8%	2.2%	0.9%	0.6%	6.0%	8.0%	4.2%	1.1%	3.5%	5.2%
March Forecast, Preliminary	276.6	278.0	281.5	282.6	283.6	288.3	265.6	276.6	281.4	293.4	309.1
Percent Change	-3.7%	2.1%	5.2%	1.5%	1.4%	6.8%	8.0%	4.1%	1.8%	4.2%	5.4%
Nonfarm Payroll Employment (Thousands)											
March Forecast, Updated	2,933	2,905	2,886	2,877	2,875	2,886	2,934	2,960	2,886	2,906	2,977
Percent Change	-4.4%	-3.8%	-2.7%	-1.1%	-0.3%	1.4%	2.6%	0.9%	-2.5%	0.7%	2.4%
March Forecast, Preliminary	2,933	2,911	2,898	2,893	2,895	2,908	2,934	2,960	2,899	2,932	3,015
Percent Change	-4.4%	-3.1%	-1.7%	-0.6%	0.2%	1.8%	2.6%	0.9%	-2.1%	1.1%	2.8%
Unemployment Rate (Percent of Labor Force)											
March Forecast, Updated	6.2%	8.3%	9.0%	9.6%	9.9%	10.0%	4.5%	5.3%	9.2%	10.0%	9.5%
March Forecast, Preliminary	6.6%	7.8%	8.4%	8.9%	9.2%	9.3%	4.5%	5.5%	8.6%	9.3%	8.9%
Manufacturing Employment (Thousands)											
March Forecast, Updated	279.6	278.0	271.3	265.8	262.8	263.0	293.3	291.0	269.5	264.4	273.4
Percent Change	-17.0%	-2.3%	-9.3%	-7.8%	-4.4%	0.2%	2.6%	-0.8%	-7.4%	-1.9%	3.4%
March Forecast, Preliminary	279.6	278.3	273.9	270.2	268.1	268.2	293.3	291.0	272.6	268.6	275.8
Percent Change	-17.0%	-1.9%	-6.2%	-5.3%	-3.0%	0.2%	2.6%	-0.8%	-6.3%	-1.4%	2.7%
Construction Employment (Thousands)											
March Forecast, Updated	194.0	187.4	179.7	172.8	168.4	166.6	208.2	201.5	177.1	165.4	170.5
Percent Change	-10.3%	-13.0%	-15.5%	-14.3%	-9.9%	-4.2%	6.8%	-3.2%	-12.1%	-6.6%	3.1%
March Forecast, Preliminary	194.0	188.1	182.3	175.5	171.5	170.1	208.2	201.5	179.4	172.9	187.8
Percent Change	-10.3%	-11.6%	-11.8%	-14.0%	-8.9%	-3.1%	6.8%	-3.2%	-11.0%	-3.6%	8.6%
Housing Permits (Thousands)											
March Forecast, Updated	21.0	19.3	19.0	19.1	23.2	26.4	47.4	27.3	20.1	30.2	40.3
Percent Change	-57.0%	-28.9%	-5.5%	2.2%	116.3%	68.6%	-5.3%	-42.5%	-26.1%	50.2%	33.3%
March Forecast, Preliminary	20.2	18.9	19.1	19.3	23.1	27.0	47.4	27.5	20.1	32.7	43.4
Percent Change	-66.4%	-22.8%	4.7%	4.1%	105.4%	85.5%	-5.3%	-42.0%	-26.8%	62.4%	32.7%

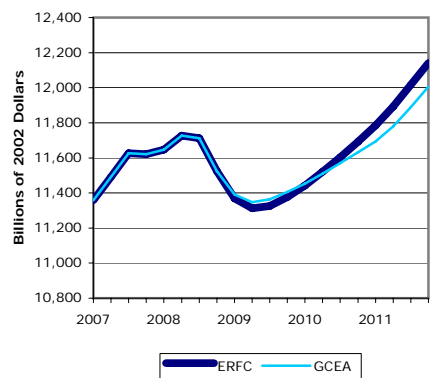
Governor's Council of Economic Advisor's Forecast

March 2009

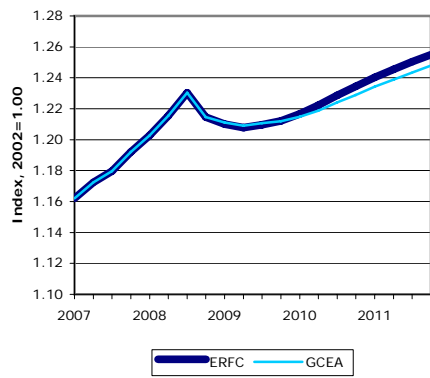
	2009	2010	2011
<u>U.S.</u>			
Real GDP			
<i>Growth</i>			
Baseline	-2.6	1.9	3.4
GCEA Average	-2.4	1.4	2.6
Implicit Price Deflator, PCE			
<i>Growth</i>			
Baseline	-0.5	1.3	1.8
GCEA Average	-0.4	0.9	1.6
Mortgage Rate			
<i>Percent</i>			
Baseline	5.0	5.0	5.8
GCEA Average	5.1	5.1	5.9
Oil Price (WTI)			
<i>USD per barrel</i>			
Baseline	47.9	54.2	58.6
GCEA Average	46.1	57.4	66.3
Is the U.S. economy in recession?			
	100%		
If so, in which quarter will it end?			
	2009Q4		
<u>Washington State</u>			
Real Personal Income			
<i>Growth</i>			
Baseline	1.6	2.1	3.3
GCEA Average	0.8	1.6	2.9
Wage and Salary Employment			
<i>Growth</i>			
Baseline	-2.5	0.7	2.4
GCEA Average	-2.6	0.4	2.3
Manufacturing Employment			
<i>Growth</i>			
Baseline	-7.4	-1.9	3.4
GCEA Average	-6.2	-2.1	2.0
Construction Employment			
<i>Growth</i>			
Baseline	-12.1	-6.6	3.1
GCEA Average	-13.3	-4.8	5.6
Housing Permits			
<i>Thousands of authorized units</i>			
Baseline	20.1	30.2	40.3
GCEA Average	18.5	26.7	37.3
Washington Average Annual Wage			
<i>Growth</i>			
Baseline	2.2	2.4	3.3
GCEA Average	1.9	2.4	3.2

U.S. Forecast Comparison

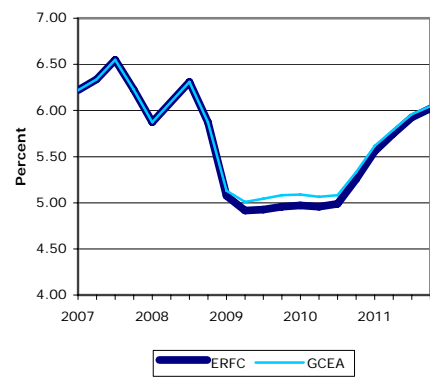
Real GDP



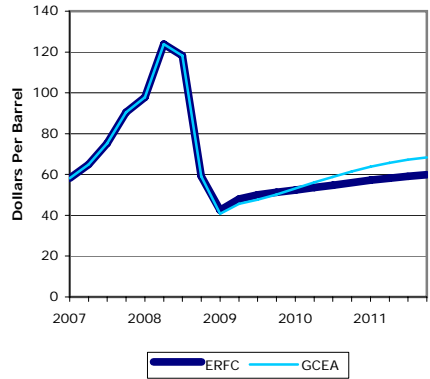
Implicit Price Deflator, PCE



Mortgage Rate

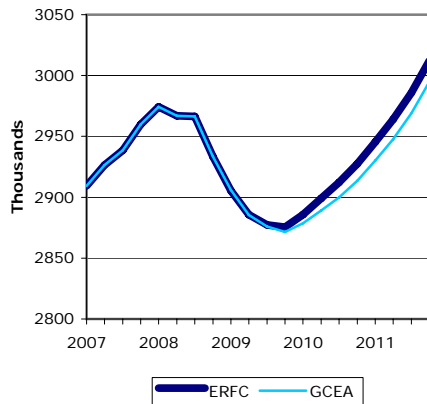


WTI Oil Price

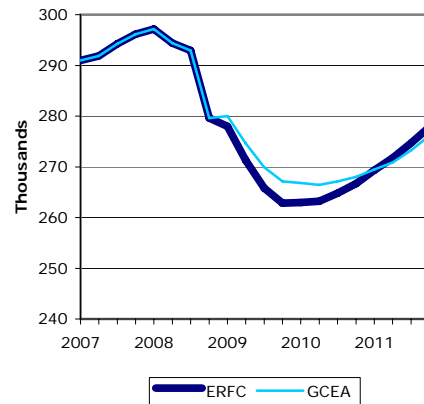


Washington Forecast Comparison

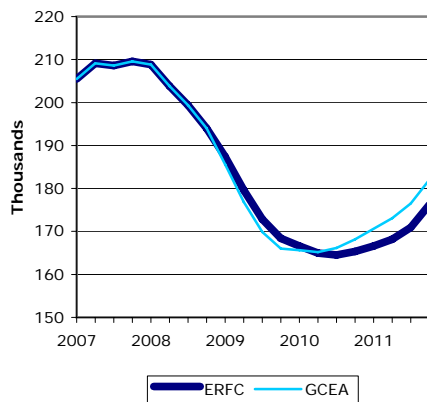
Nonfarm Payroll Employment



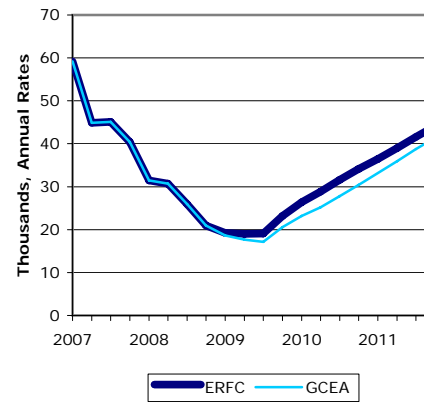
Manufacturing Employment



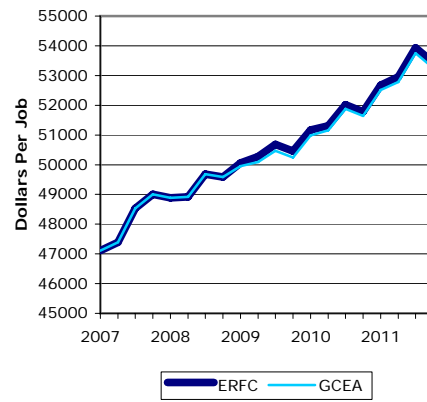
Construction Employment



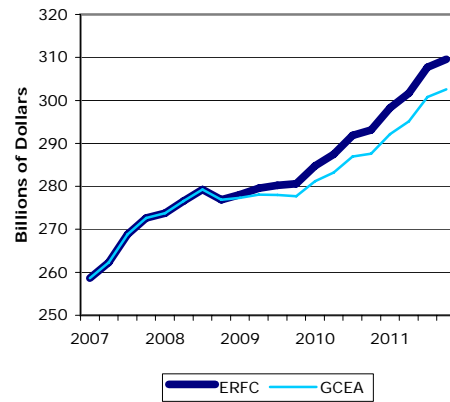
Housing Units Authorized



Average Annual Wage



Personal Income



General Fund-State Cash Estimates - Other Agencies
Comparison of March 2009 to November 2008 Forecast
2007-09 Biennium
(Amounts in Millions)

Source/Agency	November 2008 Baseline	Non-Economic Changes	Forecast Changes	March 2009 Baseline	Total Changes
Department of Licensing	\$44.7	\$0.0	(\$0.3)	\$44.4	(\$0.3)
Insurance Commissioner Insurance Premiums	\$532.2	\$0.0	(\$18.0)	\$514.2	(\$18.0)
Liquor Control Board Liquor Profits and Fees	\$78.4	\$0.0	\$0.0	\$78.4	\$0.0
Beer and Wine Surtax	\$4.4	\$0.0	\$0.0	\$4.4	\$0.0
Lottery Commission Lottery Revenue	\$11.1	\$0.0	\$0.0	\$11.1	\$0.0
State Treasurer Interest Earnings	\$164.1	\$0.0	\$8.3	\$172.4	\$8.3
Office of Financial Management Other Agencies	\$26.5	\$0.0	(\$1.4)	\$25.1	(\$1.4)
Total General Fund-State	\$861.5	\$0.0	(\$11.5)	\$850.0	(\$11.5)

General Fund-State Cash Estimates - Other Agencies
Comparison of March 2009 Baseline to Alternative Forecasts
2007-09 Biennium
(Amounts in Millions)

Source/Agency	Optimistic	Baseline	Pessimistic
Department of Licensing	\$45.1	\$44.4	\$43.7
Insurance Commissioner Insurance Premiums	\$520.5	\$514.2	\$507.9
Liquor Control Board Liquor Profits and Fees	\$79.2	\$78.4	\$77.6
Beer and Wine Surtax	\$4.5	\$4.4	\$4.4
Lottery Commission Lottery Revenue	\$11.1	\$11.1	\$11.1
State Treasurer Interest Earnings	\$176.3	\$172.4	\$169.8
Office of Financial Management Other Agencies	\$30.1	\$25.1	\$20.1
Total General Fund-State	\$866.7	\$850.0	\$834.6
Change from Baseline	\$16.7		(\$15.5)
Change from Baseline	\$5.3	(\$11.5)	(\$26.9)

General Fund-State GAAP Estimates - Other Agencies
Comparison of March 2009 to November 2008 Forecast
2007-09 Biennium
(Amounts in Millions)

Source/Agency	November 2008 Baseline	Non-Economic Changes	Forecast Changes	March 2009 Baseline	Total Changes
Department of Licensing	\$45.0	\$0.0	(\$0.2)	\$44.7	(\$0.2)
Insurance Commissioner Insurance Premiums	\$532.2	\$0.0	(\$18.0)	\$514.2	(\$18.0)
Liquor Control Board Liquor Profits and Fees	\$78.4	\$0.0	\$0.0	\$78.4	\$0.0
Beer and Wine Surtax	\$4.4	\$0.0	\$0.0	\$4.4	\$0.0
Lottery Commission Lottery Revenue	\$11.1	\$0.0	\$0.0	\$11.1	\$0.0
State Treasurer Interest Earnings	\$153.8	\$0.0	\$6.6	\$160.4	\$6.6
Office of Financial Management Other Agencies	\$26.5	\$0.0	(\$1.4)	\$25.1	(\$1.4)
Total General Fund-State	\$851.4	\$0.0	(\$13.1)	\$838.3	(\$13.1)

General Fund-State GAAP Estimates - Other Agencies
Comparison of March 2009 Baseline to Alternative Forecasts
2007-09 Biennium
(Amounts in Millions)

Source/Agency	Optimistic	Baseline	Pessimistic
Department of Licensing	\$45.4	\$44.7	\$44.0
Insurance Commissioner Insurance Premiums	\$520.5	\$514.2	\$507.9
Liquor Control Board Liquor Profits and Fees	\$79.2	\$78.4	\$77.6
Beer and Wine Surtax	\$4.5	\$4.4	\$4.4
Lottery Commission Lottery Revenue	\$13.6	\$11.1	\$11.1
State Treasurer Interest Earnings	\$165.6	\$160.4	\$156.9
Office of Financial Management Other Agencies	\$30.1	\$25.1	\$20.1
Total General Fund-State	\$858.9	\$838.3	\$822.0
Change from Baseline	\$20.5		(\$16.3)
Change from Baseline	\$7.5	(\$13.1)	(\$29.4)

Department of Revenue General Fund Forecast
2007-09 Biennium; Cash Forecast
Comparison of the March 2009 to the November 2008 Forecast
Millions of Dollars

Source	November 2008 Forecast¹	Non-Economic Change²	Forecast Change	March 2009 Baseline	Total Change
Retail Sales	\$15,016.4	(\$30.9)	(\$262.8)	\$14,722.7	(\$293.7)
Business & Occupation	5,592.6	(45.1)	(188.8)	5,358.6	(233.9)
Use	997.0	1.9	(27.2)	971.7	(25.3)
Public Utility	753.4	0.0	(35.8)	717.6	(35.8)
Tobacco Products	0.9	0.0	0.9	1.8	0.9
Penalty & Interest	297.7	0.0	(17.7)	280.0	(17.7)
Revenue Act Subtotal	\$22,657.9	(\$74.1)	(\$531.5)	\$22,052.3	(\$605.6)
Liquor Sales/Liter	\$321.5	\$0.0	\$0.0	\$321.5	\$0.0
PUD Privilege	84.6	0.0	(0.5)	84.1	(0.5)
Cigarette	101.4	0.0	(1.7)	99.8	(1.7)
Property (State School Lev)	2,989.8	0.0	(1.5)	2,988.3	(1.5)
Inheritance/Estate	5.6	0.0	(0.6)	5.0	(0.6)
Leasehold Excise	46.0	0.0	(0.7)	45.2	(0.7)
Fish Excise	5.0	0.0	(0.4)	4.6	(0.4)
Real Estate Excise	1,175.2	0.0	(96.8)	1,078.4	(96.8)
other	364.3	0.0	(15.7)	348.6	(15.7)
Non Revenue Act Subtotal	\$5,093.4	\$0.0	(\$117.9)	\$4,975.5	(\$117.9)
State Share- Timber Ex.	\$13.8	\$0.0	(\$0.6)	\$13.2	(\$0.6)
Total DOR General Fund	\$27,765.1	(\$74.1)	(\$650.0)	\$27,041.0	(\$724.1)

1-Adopted by the Forecast Council in November 2008.

2: Expected refunds, large audit payments, and adjustment of prior estimates of SST mitigation payments and voluntary taxes on inter

**General Fund-State Cash Forecast
Summary of Changes to GFS Forecast
2007-09 Biennium
Millions of Dollars**

	Collection Experience: November 11, 2008 - March 10, 2009			Remainder of the Biennium (11/11/2008 - 6/30/09)		Total Change 2007-09 Biennium
	<u>Actual Variance*</u>	<u>Special Factors¹</u>	<u>Variance Excluding Special Factors</u>	<u>Forecast Change</u>	<u>Other²</u>	
Revenue Act**	(\$207.1)	\$3.5	(\$210.6)	(\$324.4)	(\$74.1)	(\$605.6)
Non Revenue Act	(\$32.7)	\$0.0	(\$32.7)	(\$85.8)	\$0.0	(\$118.5)
Property tax	\$5.2		\$5.2	(6.7)		(\$1.5)
Real estate ex. tax	(\$36.5)		(\$36.5)	(60.2)	0.0	(\$96.8)
Cigarette	(\$1.1)		(\$1.1)	(0.6)		(\$1.7)
other	(\$0.3)		(\$0.3)	(18.3)	0.0	(\$18.6)
Department of Revenue Subtotal	(\$239.8)	\$3.5	(\$243.3)	(\$410.2)	(\$74.1)	(\$724.1)
Department of Licensing	\$0.0		\$0.0	(\$0.3)		(\$0.3)
Lottery	0.0		\$0.0	\$0.0		\$0.0
All other	NA		NA	(\$19.8)	\$8.6	(\$11.1)
Total General Fund-State	(\$239.8)	\$3.5	(\$243.3)	(\$430.3)	(\$65.5)	(\$735.6)

*Variance since the last (November 2008) forecast (November 11, 2008 - March 10, 2009)

**Retail sales, business & occupation, use, public utilities and tobacco products taxes and penalties & interest.

¹ Unusually large Audit Assessment

² Expected refunds, large audit payments, and adjustment of prior estimates of SST mitigation payments and voluntary taxes on internet sales

Track Record for the 2007-09 General Fund-State Cash Forecast
February 2006 through March 2009
Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non- Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
February 2006***	\$28,180	\$848				\$29,028
Changes to Forecast						
June 2006	531	17	547	(112) #1	436	29,463
September 2006	76	(13)	62		62	29,526
November 2006	4	3	8		8	29,533
March 2007	(30)	12	(18)		(18)	29,516
June 2007	313	19	331	(43) #2	289	29,804
September 2007	204	9	213		213	30,017
November 2007	(145)	34	(111)	(20) #3	(130)	29,886
February 2008	(405)	(19)	(423)		(423)	29,463
June 2008	(36)	(14)	(50)	(11) #4	(61)	29,402
September 2008	(288)	15	(273)		(273)	29,129
November 2008	(506)	3	(503)		(503)	28,627
March 2009	(650)	(20)	(670)	(66) #5	(736)	27,891
Total change***:						
From February 2006	(931)	46	(886)	(251)	(1,137)	
Percent change	(3.3)	5.4	(3.1)	(0.9)	(3.9)	

* Excludes legislative, judicial, statutorily required or other major non-economic changes.

** Includes legislative, judicial, statutorily required or other major non-economic changes.

*** Detail may not add to total due to rounding.

**** First official forecast for the 2007-09 biennium.

#1 Change to the forecast due to 2006 legislation.

#2 Change to the forecast due to 2007 legislation/budget driven revenue and the tobacco product tax settlement

#3 Change to the forecast due to change in federal law regarding taxation of internet access.

#4 Impact of 2008 legislation and budget driven revenue.

General Fund-State GAAP Estimates - Other Agencies
Comparison of March 2009 to November 2008 Forecast
2009-11 Biennium
(Amounts in Millions)

Source/Agency	November 2008 Baseline	Non-Economic Changes	Forecast Changes	March 2009 Baseline	Total Changes
Department of Licensing	\$46.8	\$0.0	(\$0.2)	\$46.6	(\$0.2)
Insurance Commissioner Insurance Premiums	\$586.7	\$0.0	(\$54.3)	\$532.3	(\$54.3)
Liquor Control Board Liquor Profits and Fees	\$85.4	\$0.0	\$0.0	\$85.4	\$0.0
Beer and Wine Surtax	\$4.9	\$0.0	\$0.0	\$4.9	\$0.0
Lottery Commission Lottery Revenue	\$10.2	\$0.0	(\$10.2)	\$0.0	(\$10.2)
State Treasurer Interest Earnings	\$29.8	\$0.0	(\$20.9)	\$8.9	(\$20.9)
Office of Financial Management Other Agencies	(\$35.6)	\$0.0	(\$2.0)	(\$37.6)	(\$2.0)
Total General Fund-State	\$728.1	\$0.0	(\$87.6)	\$640.5	(\$87.6)

General Fund-State GAAP Estimates - Other Agencies
Comparison of March 2009 Baseline to Alternative Forecasts
2009-11 Biennium
(Amounts in Millions)

Source/Agency	Optimistic	Baseline	Pessimistic
Department of Licensing	\$48.0	\$46.6	\$45.2
Insurance Commissioner Insurance Premiums	\$545.7	\$532.3	\$519.0
Liquor Control Board Liquor Profits and Fees	\$87.1	\$85.4	\$83.7
Beer and Wine Surtax	\$5.0	\$4.9	\$4.8
Lottery Commission Lottery Revenue	\$4.0	\$0.0	\$0.0
State Treasurer Interest Earnings	\$33.8	\$8.9	(\$18.1)
Office of Financial Management Other Agencies	(\$27.6)	(\$37.6)	(\$47.6)
Total General Fund-State	\$696.0	\$640.5	\$587.0
Change from Baseline	\$55.4		(\$53.5)
Change from Baseline	(\$32.1)	(\$87.6)	(\$141.1)

General Fund-State Cash Estimates - Other Agencies
Comparison of March 2009 to November 2008 Forecast
2009-11 Biennium
(Amounts in Millions)

Source/Agency	November 2008 Baseline	Non-Economic Changes	Forecast Changes	March 2009 Baseline	Total Changes
Department of Licensing	\$46.1	\$0.0	(\$0.2)	\$45.9	(\$0.2)
Insurance Commissioner Insurance Premiums	\$586.7	\$0.0	(\$54.3)	\$532.3	(\$54.3)
Liquor Control Board Liquor Profits and Fees	\$85.4	\$0.0	\$0.0	\$85.4	\$0.0
Beer and Wine Surtax	\$4.9	\$0.0	\$0.0	\$4.9	\$0.0
Lottery Commission Lottery Revenue	\$1.1	\$0.0	(\$1.1)	\$0.0	(\$1.1)
State Treasurer Interest Earnings	\$31.5	\$0.0	(\$19.1)	\$12.4	(\$19.1)
Office of Financial Management Other Agencies	(\$35.6)	\$0.0	(\$2.0)	(\$37.6)	(\$2.0)
Total General Fund-State	\$720.1	\$0.0	(\$76.7)	\$643.4	(\$76.7)

General Fund-State Cash Estimates - Other Agencies
Comparison of March 2009 Baseline to Alternative Forecasts
2009-11 Biennium
(Amounts in Millions)

Source/Agency	Optimistic	Baseline	Pessimistic
Department of Licensing	\$47.3	\$45.9	\$44.6
Insurance Commissioner Insurance Premiums	\$545.7	\$532.3	\$519.0
Liquor Control Board Liquor Profits and Fees	\$87.1	\$85.4	\$83.7
Beer and Wine Surtax	\$5.0	\$4.9	\$4.8
Lottery Commission Lottery Revenue	\$2.0	\$0.0	\$0.0
State Treasurer Interest Earnings	\$37.3	\$12.4	(\$14.6)
Office of Financial Management Other Agencies	(\$27.6)	(\$37.6)	(\$47.6)
Total General Fund-State	\$696.8	\$643.4	\$589.9
Change from Baseline	\$53.4		(\$53.5)
Change from Baseline	(\$23.3)	(\$76.7)	(\$130.2)

Department of Revenue General Fund Forecast
2009-11 Biennium; Cash Forecast
Comparison of the March 2009 to the November 2008 Forecast
Millions of Dollars

Source	November 2008 Forecast¹	Non-Economic Change²	Forecast Change	March 2009 Baseline	Total Change
Retail Sales	\$15,587.0	(\$78.5)	(\$904.0)	\$14,604.6	(\$982.5)
Business & Occupation	6,108.1	0.0	(472.6)	5,635.5	(472.6)
Use	1,086.8	0.0	(96.8)	990.0	(96.8)
Public Utility	836.4	0.0	(107.5)	728.9	(107.5)
Tobacco Products	21.0	0.0	1.1	22.2	1.1
Penalty & Interest	345.9	0.0	(46.4)	299.5	(46.4)
Revenue Act Subtotal	\$23,985.2	(\$78.5)	(\$1,626.1)	\$22,280.6	(\$1,704.6)
Liquor Sales/Liter	\$340.7	\$0.0	\$0.0	\$340.7	\$0.0
PUD Privilege	91.3	0.0	(3.1)	88.2	(3.1)
Cigarette	98.3	0.0	(6.2)	92.1	(6.2)
Property (State School Levy	3,102.9	0.0	(17.7)	3,085.3	(17.7)
Inheritance/Estate	1.5	0.0	(0.3)	1.2	(0.3)
Leasehold Excise	52.5	0.0	(4.9)	47.7	(4.9)
Fish Excise	5.3	0.0	(0.6)	4.7	(0.6)
Real Estate Excise	1,329.8	0.0	(258.9)	1,070.9	(258.9)
Other	332.0	0.0	(49.7)	282.3	(49.7)
Non Revenue Act Subtotal	\$5,354.4	\$0.0	(\$341.3)	\$5,013.0	(\$341.3)
State Share- Timber Ex.	\$10.7	\$0.0	(\$2.4)	\$8.3	(\$2.4)
Total DOR General Fund	\$29,350.3	(\$78.5)	(\$1,969.9)	#####	(\$2,048.4)

1-Adopted by the Forecast Council November 2008.

2: Adjustment of prior estimates of SST mitigation payments and voluntary taxes on internet sales

General Fund-State, Related Fund*, and Near General Fund*

March 2009 and November 2008 Cash Forecasts

2007-09 & 2009-11 Biennia

Millions of dollars

	2007-09 Biennium			2009-11 Biennium			Change From 2007-09	
	<u>Nov. 2008 Forecast</u>	<u>Mar. 2009 Forecast</u>	<u>Difference</u>	<u>Nov. 2008 Forecast</u>	<u>Mar. 2009 Forecast</u>	<u>Difference</u>	<u>Amount</u>	<u>Percent</u>
General Fund-State	\$28,626.6	\$27,891.0	(\$735.6)	\$30,070.4	\$27,945.3	(\$2,125.1)	\$54.3	0.2%
Related Fund*								
Health Services Account	\$1,252.1	\$1,239.3	(\$12.8)	\$1,297.0	\$1,246.7	(\$50.3)	\$7.4	0.6%
Violence Reduction and Drug Enforcement Acct.	\$94.2	\$92.8	(\$1.4)	\$104.5	\$100.0	(\$4.5)	\$7.2	7.8%
Water Quality Account	\$72.0	\$71.7	(\$0.3)	\$90.5	\$89.8	(\$0.7)	\$18.1	25.2%
Student Achievement Account	\$503.4	\$503.4	(\$0.1)	\$542.0	\$542.7	\$0.7	\$39.3	7.8%
Public Safety and Education Account	\$206.9	\$202.7	(\$4.1)	\$211.6	\$206.2	(\$5.4)	\$3.5	1.7%
Total Related Fund	\$2,128.6	\$2,109.9	(\$18.7)	\$2,245.7	\$2,185.4	(\$60.3)	\$75.5	3.6%
Total General Fund and Related Fund	\$30,755.2	\$30,000.9	(\$754.3)	\$32,316.1	\$30,130.7	(\$2,185.4)	\$129.8	0.4%
Near General Fund Not in Related Funds**								
Education Legacy Trust Account	\$434.9	\$413.8	(\$21.1)	\$449.3	\$372.7	(\$76.7)	(\$41.1)	-9.9%
Pension Funding Stabilization Account	\$23.7	\$22.6	(\$1.1)	\$0.0	\$0.0	\$0.0	(\$22.6)	-100.0%
Total Near General Fund	\$2,587.2	\$2,546.4	(\$40.9)	\$2,695.0	\$2,558.1	(\$136.9)	\$11.8	0.5%
Total General Fund and Near General Fund	\$31,213.8	\$30,437.4	(\$776.5)	\$32,765.5	\$30,503.4	(\$2,262.0)	\$66.1	0.2%

*As defined in RCW 43.135.025; Cash forecast; state sources.

**Near General Fund includes all Related Funds plus the Education Legacy Trust and Pension Funding Stabilization Accounts

March 2009

Cash Basis

Alternative Forecasts
2007-09 Biennium
Millions of Dollars

	<u>2007-09 Biennium</u>	<u>Difference From the March 2009 Baseline</u>
March 2009 Baseline (60%)	\$27,891	
March 2009 Alternative Forecasts		
Optimistic (10%)	\$27,965	\$74
Pessimistic (30%)	\$27,799	(\$92)
Probability Weighted Average	\$27,871	(\$20)
GCEA*	\$27,878	(\$13)

* Based on the Governor's Council of Economic Advisors Assumptions.

March 2009

Cash Basis

Alternative Forecasts
2009-11 Biennium
Millions of Dollars

	<u>2009-11 Biennium</u>	<u>Difference From the March 2009 Baseline</u>
March 2009 Baseline (60%)	\$27,945	
March 2009 Alternative Forecasts		
Optimistic (10%)	\$29,465	\$1,519
Pessimistic (30%)	\$26,019	(\$1,926)
Probability Weighted Average	\$27,519	(\$426)
GCEA*	\$27,692	(\$253)

* Based on the Governor's Council of Economic Advisors Assumptions.

Track Record for the 2009-11 General Fund-State Cash Forecast
February through November 2008
Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non- Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
February 2008****	\$31,051	\$867				\$31,918
Changes to Forecast						
June 2008	(90)	(28)	(117)	(46) #1	(163)	31,755
September 2008	(228)	(29)	(256)	0	(256)	31,498
November 2008	(1386)	(77)	(1464)	(61) #2	(1525)	29,973
March 2009	(1970)	(77)	(2047)			
Total change***:						
From February 2008	(1704)	(133)	(1837)	(107)	(1944)	
Percent change	(0)	(0)	(0)	(0)	(0)	

* Excludes legislative, judicial, statutorily required or other major non-economic changes.

** Includes legislative, judicial, statutorily required or other major non-economic changes.

*** Detail may not add to total due to rounding.

**** First official forecast for the 2009-11 biennium.

#1 Impact of 2008 legislation and budget driven revenue.

2007-09 Enacted Budget Balance Sheet General Fund-State

Dollars in Millions

RESOURCES	
Beginning Fund Balance	780.5
November 2008 Forecast	28,626.6
March 2009 Update	(735.6)
Current Revenue Totals	27,891.0
Legislatively Enacted Fund Transfers (2007/2008 sessions)	147.0
2008: Prior Period Adjustments	(6.9)
Transfer to Budget Stabilization Account	(124.3)
2009 Session: ESHB 1694	91.3
Total Resources (including beginning fund balance)	28,778.6
EXPENDITURES	
2007-09 Enacted Budget (Including 2008 Supplemental)	29,838.2
2009 Session: ESHB 1694	(580.1)
	29,258.1
RESERVES	
Projected General Fund Ending Balance	(479.5)
Budget Stabilization Account Beginning Balance	0.0
Transfer To Budget Stabilization Account (From Emergency Reserve Account)	303.2
Transfer from General Fund and Interest Earnings	127.7
Projected Budget Stabilization Account Ending Balance	430.9
Total Reserves (General Fund plus Budget Stabilization)	(48.7)